

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Harbor Beach Area District Library	County Huron
Audit Date 6/30/04	Opinion Date 7/28/04	Date Accountant Report Submitted to State: 10/14/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Nietzke & Faupel, P.C.			
Street Address 7274 Hartley Street	City Pigeon	State MI	ZIP 48755
Accountant Signature <i>Brian Hazel, CPA</i>			Date 10/14/04

**HARBOR BEACH AREA
DISTRICT LIBRARY
HARBOR BEACH, MICHIGAN**

**FINANCIAL REPORT
JUNE 30, 2004**

HARBOR BEACH AREA DISTRICT LIBRARY

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Nietzke & Faupel, PC

Members of: Michigan Association of Certified Public Accountants • American Institute of Certified Public Accountants

ALLAN W. NIETZKE, CPA
DONALD C. FAUPEL, CPA
JEFFREY P. BUSHEY, CPA
BRIAN V. HAZARD, CPA

CPA's On Your Team

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Harbor Beach Area District Library
Harbor Beach, Michigan 48441

We have audited the accompanying basic financial statements of the Harbor Beach Area District Library, as of and for the year ended June 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Harbor Beach Area District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Harbor Beach Area District Library, as of June 30, 2004, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Trustees
Harbor Beach Area District Library

As discussed in Note 1, the Library adopted Governmental Accounting Standards Board Statement Number 34 during the current year. As a result, these financial statements present entirely new financial information. Governmental activities report information by individually significant fund, as well as in total on the full accrual basis of accounting.

Nietzke & Faupel, PC

NIETZKE & FAUPEL, P.C.
Pigeon, Michigan

July 28, 2004

Management's Discussion and Analysis

This discussion and analysis of the Harbor Beach Area District Library's financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2004. This is the first year that this analysis has been required by law. Please read it in conjunction with the Library's financial statements.

Using this Annual Report

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Library:

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. The second column includes information on the Library's Special Revenue Fund. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The *government-wide financial statement* columns provide both *long-term* and *short-term* information about the Library's *overall* financial status. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.

Condensed Financial Information

The table below shows key financial information in a condensed format. In future years a comparative analysis of government-wide data will be presented, however, in this first year of implementing the new reporting model, comparative information is not required.

Assets

Cash & equivalents	\$ 485,882
Accounts receivable	2,171
Reserved & restricted cash assets	192,219
Capital assets	538,481
Total assets	<u>\$1,218,753</u>

Liabilities

Current liabilities	\$ 35,651
Total liabilities	<u>\$ 35,651</u>

Management's Discussion and Analysis (Continued)

Net Assets

Invested in capital assets – net of related debt	\$ 538,481
Restricted for donor-restricted purpose	5,655
Reserved funds	186,564
Unrestricted	452,402

Total net assets \$ 1,183,102

Revenue

Program Revenue:	
Charges for services – Theatre	\$ 74,668

General Revenue:	
Property Taxes	316,048
Fines	27,122
Interest	10,553
Other revenue	21,711

Total Revenue 450,102

Program expenses:	
Library	263,861
Theatre	78,562
Depreciation	39,246
Total expenses	381,669

Change in Net Assets 68,433

Net assets – Beginning of the year 1,114,669

Net assets – end of the year \$1,183,102

The Library as a Whole

The Library's main source of revenue is through a perpetual millage of 1.6000 mills approved in September of 1994. The millage has since been reduced by MCL 211.34d "Headlee" to 1.5781 mills. Even with the Headlee reduction, the Library's revenue from property tax collection has increased due to an increase in district property values. Property taxes represent 69% of the Library's total revenues.

Salaries and fringe benefits are a significant expense of the Library, representing 54% of the Library's total expenses.

The Library's excess revenue over expenses was \$11,149. There were also investments in the Library's book collection (\$18,214) and capital outlay (\$78,316). New seats and other improvements in the theatre made up 70% of the capital outlay. The excess revenue over expenses and capital improvements were offset by depreciation of \$39,246 to give the Library an increase of \$68,433 in net assets.

Management's Discussion and Analysis (Continued)

The Library's Funds

The Library has undesignated, reserved and restricted funds. The Library uses undesignated funds to pay regular operating expenses and other expenses as approved by the Board.

The reserved funds have been designated for specific purposes. Technology improvements, unemployment funding, memorial & special projects and capital improvements are current designations for reserved funds. Money is set aside in the capital improvement funds for long range needs, such as: replacing the heating/cooling system, roof replacement, window replacement, and other major maintenance or improvement needs.

The Library also has the Willett Trust Fund. The donor restricted the use of the interest revenue of the fund for the purpose of purchasing new children's books. Revenue from the fund was used to purchase \$300 in children's books during this fiscal year. The principal in the Willett Trust Fund cannot be spent.

Special Revenue Fund (Theatre)

The Special Revenue Fund (Theatre) had a decrease in income for the fiscal year 2003-2004. It also had an increase in expenses for the same fiscal period. This resulted in an operating loss of \$5,743 which was covered from funds accumulated in prior years.

Budgetary Highlights

The most significant change in fiscal year 2003/2004 was the change to GASB Statement Number 34. Accounting principles generally accepted in the United States of America require the Library to be in compliance with GASB Statement Number 34 by the end of the fiscal year ended June 30, 2004.

As required by State of Michigan law, the Library amended the budget to take into account events during the year. The most significant amendments occurred in utilities, internet access, repairs & maintenance and supplies.

Total revenues were 10% higher than the budgeted amount. A major reason for this was higher than anticipated property tax revenue. The Library bases the budget for property tax revenue on information it receives from the Equalization Department. The Equalization Department does not include industrial facilities information in the figures that are forwarded to the Library. Because the Library did not have the information necessary to accurately predict revenue from that source there was no amount budgeted. The industrial facilities property tax generated \$27,860 in revenue.

The Library completed a major capital outlay project with the purchase and installation of new seats for the Theatre. There was a significant variance to the capital outlay expenditures in the budget because of this project. The funds for this project were taken from reserved funds set aside in prior years for major capital improvements. The cost of the Theatre seats was \$49,663.

The Library has also been working with the engineering firm Wade-Trim Inc. to design plans for improvements to create a plaza on the south lawn. The improvements will be made in the 2004-2005 budget year but engineering fees of \$14,100 were paid from 2003-2004 budget money.

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

As of June 30, 2004, the Library had \$1,218,753 invested in a broad range of capital assets, including cash deposits, building, collections, and equipment.

In the 2003-2004 fiscal year the Library purchased new seats for the Theatre and completed landscaping on the east side of the building. New shelving was purchased to accommodate the growth of the audio book and the video collections of the Library.

The Library does not have any long-term debts.

Next Year's Budgets and Millage Rates

The Library's millage rate will not have a Headlee reduction for the taxes due December 1, 2004 and the property tax value increased by 4%. This will result in an increase in tax revenue for the next fiscal year.

The Library is planning to complete the initial phase of the plaza project on the south lawn of the building. This phase of the project includes construction of a retaining wall, replacing the steps and replanting the area in grass seed; it is expected to cost \$98,522 and be completed by November 13, 2004. This project was planned to coordinate with the city-wide streetscape beautification project. Future phases of this project are in the planning stages. The Board has appointed an advisory Steering Committee to assist the Board in the planning of the future phases, which may include renovation of the building.

Next year's budget has an added line item for a concert series. The Library would like to utilize its beautiful theatre and make more cultural events available to the community. The concert series is currently in the planning phase.

The Library is planning to upgrade computer equipment, which will result in an increase in technology spending in the 2004-2005 budget year. Advancements in technology make it necessary for the Library to upgrade its computer equipment on a regular basis in order to provide better services for the patrons.

Management has reviewed the operations of the Special Revenue Fund (Theatre) to increase profitability. The Theatre operating hours will be decreased to cut expenses and some price increases will be implemented to increase revenue.

The analysis of the financial results of the fiscal year ending June 30, 2005 will include a comparison of prior year information.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the director, Vicki Mazure, at (989) 479-3417.

BASIC FINANCIAL STATEMENTS

HARBOR BEACH AREA DISTRICT LIBRARY

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS JUNE 30, 2004

<u>ASSETS</u>	<u>MODIFIED ACCRUAL BASIS</u>			<u>STATEMENT</u>
	<u>GENERAL</u>	<u>SPECIAL</u> <u>REVENUE</u>	<u>ADJUSTMENTS</u>	<u>OF NET</u> <u>ASSETS</u>
Cash and investments	\$448,198	\$37,684		\$ 485,882
Accounts receivable	2,171			2,171
Due from Special Revenue	1,187		\$ (1,187)	
Restricted asset:				
Cash	192,219			192,219
Fixed assets			538,481	538,481
TOTAL ASSETS	<u>\$643,775</u>	<u>\$37,684</u>	<u>\$ 537,294</u>	<u>\$ 1,218,753</u>
<u>LIABILITIES AND FUND EQUITY</u>				
LIABILITIES:				
Accounts payable	\$ 17,036	\$ 7,410		\$ 24,446
Due to General Fund		1,187	\$ (1,187)	
Accrued payroll taxes	2,810	618		3,428
Accrued wages	6,305	1,472		7,777
TOTAL LIABILITIES	<u>26,151</u>	<u>10,687</u>	<u>(1,187)</u>	<u>35,651</u>
FUND BALANCE/NET ASSETS:				
Fund balance:				
Unreserved, undesignated	425,405	26,997	(452,402)	-
Reserved	192,219		(192,219)	-
TOTAL FUND EQUITY	<u>617,624</u>	<u>26,997</u>	<u>(644,621)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$643,775</u>	<u>\$37,684</u>		
Net assets:				
Invested in capital assets - net of related debt			538,481	538,481
Restricted			192,219	192,219
Unrestricted			452,402	452,402
TOTAL NET ASSETS			<u>\$ 1,183,102</u>	<u>\$ 1,183,102</u>

HARBOR BEACH AREA DISTRICT LIBRARY

STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2004

	<u>MODIFIED ACCRUAL BASIS</u>			<u>STATEMENT OF</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>ADJUSTMENTS</u>	<u>ACTIVITIES</u>
REVENUES:				
Taxes	\$316,048			\$ 316,048
State grants	5,462			5,462
Charges for services		\$74,668		74,668
Fines and forfeits	27,122			27,122
Rentals	6,848	220		7,068
Interest	10,043	510		10,553
Other revenue	11,760	2,421	\$ (5,000)	9,181
TOTAL REVENUES	<u>377,283</u>	<u>77,819</u>	<u>(5,000)</u>	<u>450,102</u>
EXPENDITURES:				
Recreation and cultural:				
Salaries and wages	125,510	26,638		152,148
Employer FICA	9,785	2,004		11,789
Retirement	9,167	1,815		10,982
Employee benefits	30,712			30,712
Insurance - Workers Comp.	2,897			2,897
Unemployment	563			563
Books	20,078		(18,214)	1,864
Magazines & periodicals	2,881			2,881
Video cassettes	6,271			6,271
Computer software	674			674
White Pine contract	2,734			2,734
HB historical video	3			3
Copier lease	1,151			1,151
Furniture and equipment	800			800
Film rental		20,587		20,587
Concession purchases		13,725		13,725
Pickup & delivery		2,846		2,846
Supplies	5,261	808		6,069
Utilities	22,396	648		23,044
Water & sewer	730			730
Internet access	1,937			1,937
Telephone	3,460			3,460
Repairs & maintenance	14,474	3,467		17,941
Custodial service		5,000	(5,000)	

The notes to the financial statements are an integral part of this statement.

HARBOR BEACH AREA DISTRICT LIBRARY
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

	<u>MODIFIED ACCRUAL BASIS</u>			<u>STATEMENT OF</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>ADJUSTMENTS</u>	<u>ACTIVITIES</u>
(CONTINUED)				
Insurance	13,968	200		14,168
Advertising	846	5,698		6,544
Elections & legal fees	663			663
Audit fees	2,400			2,400
Meals and mileage	1,305	126		1,431
Workshops	624			624
Afghan expense	8			8
Story hour	780			780
Depreciation			39,246	39,246
Capital outlay	78,316		(78,316)	
TOTAL EXPENDITURES	360,391	83,562	(62,284)	381,669
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	16,892	(5,743)	57,284	68,433
FUND BALANCE/NET ASSETS - JULY 1	600,732	32,740	481,197	1,114,669
FUND BALANCE/NET ASSETS - JUNE 30	<u>\$617,624</u>	<u>\$26,997</u>	<u>\$ 538,481</u>	<u>\$ 1,183,102</u>

HARBOR BEACH AREA DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Harbor Beach Area District Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Harbor Beach Area District Library:

During the current year, the Library has implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the statement include the following:

- A management's discussion and analysis (MD&A section providing an analysis of the Library's overall financial position and results of operations
- The Library's activities are presented on both the modified accrual basis of accounting (as in the past) as well as the full accrual basis of accounting.

These and other changes are reflected in the accompanying financial statement (including notes to the financial statements).

Reporting Entity:

In accordance with the provisions of the Governmental Accounting Standards Board Statement No. 14, the definition of the reporting entity is based primarily on the notion of financial accountability. The District Library is a primary government and is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it. These types of organizations are deemed component units.

Based on the provisions of GASB 14, there are no organizations that are deemed to be component units of Harbor Beach Area District Library.

Basis of Presentation:

The accounts of the District Library are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenditures. The following funds are used by the District Library:

Governmental Funds:

General Fund – The General Fund accounts for the general operating expenditures of the District Library not recorded elsewhere. Revenues are derived primarily from property taxes, State distributions and penal fines.

HARBOR BEACH AREA DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Basis of Presentation: (Continued)

Special Revenue Fund – The Community Theater Fund is used to account for specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action.

Modified Accrual and Full Accrual Data:

The Library has two funds, the General Fund, which is the Library's primary operating fund, and the Special Revenue Fund, which is the Theater's operating fund.

Both the General Fund and the Special Revenue Fund are budgeted and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The Harbor Beach Area District Library's borders encompass the City of Harbor Beach and the Townships of Bloomfield, Delaware, Paris, Rubicon, Sand Beach, Sherman, and Sigel. Properties in each government unit are assessed as of December 31. The related property taxes become a lien and are billed on December 1 of the following year, and are due on February 14, with the final collection date of February 28 before they are added to the county tax rolls.

In addition to presenting information for the General and Special Revenue funds, the basic financial statements combine all fund activity and present information for the Library as a whole, using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Budgets:

Formal budgetary integration is employed as a management control device during the year for the Governmental Fund types. The budgets are adopted on a basis consistent with generally accepted accounting principles.

The Board of Trustees prepares the budgets on a line item basis. Any revisions that alter any line item appropriation must be approved by the Board of Trustees. Therefore, the level of budgetary responsibility is at the line item level.

Unused appropriations lapse at the end of the year.

HARBOR BEACH AREA DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

Capital Assets:

Generally, capital assets are defined by the Library as assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Library books, CDs, and audio and visual tapes which comprise the Library's collection are recorded as assets using various estimating techniques. Because of their nature and relevance to the Library's operations, they are capitalized despite their individually small cost.

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building and building improvements	20-40 years
Furniture and equipment	5-10 years
Library books	5 years

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Property Taxes:

During 1994, the voters of the Harbor Beach Area District Library approved a millage of 1.6 mills on all real and personal property. This levy is collected by the Townships and City within the Library's boundaries based on the following schedule: Properties are assessed as of December 31, and the related property taxes become a lien on December 1 of the following year. These taxes have a final collection date of February 28 before they are added to the County's delinquent tax rolls. The delinquent real property taxes are purchased by the County's Revolving Tax Fund. Management's policy of revenue recognition for property taxes is to record the revenue in the year levied.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Elimination of Interfund Transactions

The interfund receivable and payable and the related revenue and expense for custodial services between the Library and the Theater funds have been eliminated.

HARBOR BEACH AREA DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2004

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS:

P.A. 621 of 1978, section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the District Library's actual and budgeted expenditures have been shown on a line item basis. The approved budgets of the District Library have also been adopted to the line item level.

During the year ended June 30, 2004, the District Library incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Total Appropriation</u>	<u>Amount of Expenditure</u>	<u>Budget Variance</u>
General Fund:			
Capital outlay	\$35,000	\$78,316	\$43,316
Special Revenue Fund:			
Film rental	\$19,000	\$20,587	\$1,587
Concession purchases	11,100	13,725	2,625
Supplies	738	808	70
Repairs and maintenance	1,250	3,467	2,217

NOTE 3 – CASH AND INVESTMENTS:

Deposits are carried at cost with a carrying amount as of June 30, 2004 of \$678,101. The bank balance as of the same date was \$681,519. Deposits of the District Library are at various banks located throughout Michigan. In accordance with Michigan Compiled Laws, the District Library is authorized to deposit and invest in banks, savings and loan associations or credit unions having a principal office or branch office in this state; obligations of the U.S. Treasury, the principal and interest of which are fully guaranteed by the United States; certificates of deposit of a state or national bank or state or federal savings and loan association; commercial paper rated prime and maturing within 270 days of purchase; securities issued or guaranteed by agencies or instrumentality's of the U.S. government; U.S. government or federal agency obligation repurchase agreements; bankers' acceptances issued by a bank which is a member of the F.D.I.C.; mutual funds composed of investment vehicles that are legal for direct investment by a district library; investment pools composed entirely of instruments that are legal for direct investment by a district library.

The District Library's deposits are in accordance with statutory authority. The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the District Library's cash deposits are as follows:

<u>Deposits</u>	<u>Bank Balances</u>
Insured (FDIC)	\$394,903
Uninsured	<u>286,616</u>
Total deposits	<u>\$681,519</u>

HARBOR BEACH AREA DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2004

NOTE 3 – CASH AND INVESTMENTS: (CONTINUED)

The GASB Statement No. 3 risk disclosures for the Library's investments are as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
Pooled investment funds:		
Comerica Bank – Governmental cash Investment Fund J	\$ 654	\$ 654
Comerica Bank – Governmental cash Investment Fund J – Tax Account	38	38

NOTE 4 – CAPITAL ASSETS:

Capital asset activity of the Library is as follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2004</u>
Land improvements	\$ 15,258	\$17,828		\$ 33,086
Building Improvements	448,016	3,240		451,256
Equipment	63,862	57,249		121,111
Collections – library books	<u>75,783</u>	<u>18,214</u>		<u>93,997</u>
	602,919	96,531		699,450
Accumulated depreciation	<u>121,723</u>	<u>39,246</u>		<u>160,969</u>
Net capital assets	<u>\$481,196</u>	<u>\$57,285</u>		<u>\$538,481</u>

NOTE 5 – FUND BALANCE, RESERVED:

Various certificates of deposit have been designated for specific purposes. The following reservations have been made:

Unemployment Fund	\$ 12,177
Willet Trust Fund - unexpendable	5,000
Willet Trust Fund - expendable	655
Technology Fund	28,710
Memorial and Special Projects	10,845
Capital Outlay Funds	<u>134,832</u>
TOTAL FUND BALANCE RESERVATIONS	<u>\$192,219</u>

NOTE 6 – PENSION PLANS:

Defined Contribution Pension Plan:

The District Library provides pension benefits for all its employees through a defined contribution SEP plan except as described below. Employees over the age of 21 are eligible to participate 90 days after their date of employment. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

HARBOR BEACH AREA DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2004

NOTE 6 – PENSION PLANS: (CONTINUED)

The plan requires the District Library to contribute an amount equal to 8% of the employee's base salary each quarter, but does not require or allow employee contributions. The District Library's contributions for each employee and the interest allocated to the employees' accounts are fully vested at all times.

The District Library's total payroll for the year ended June 30, 2004, was \$152,148. The District Library's contributions were calculated using the base salary amount of \$138,090 and the District Library made the required contributions amounting to \$11,047.

NOTE 7 – LEASE

The District Library was leasing a copier under a noncancelable operating lease which expired May 2003. A new three year lease was signed. The following is a schedule by years of future minimum rentals under the lease at June 30, 2004:

Year Ending June 30:	
2005	1,062
2006	<u>974</u>
	\$ <u>2,036</u>

This lease contains an option whereby the District Library can purchase the copier at fair value at the end of the lease term. Lease expense under this noncancelable lease was \$1,151 for 2004.

NOTE 8 – RISK MANAGEMENT:

Property, liability and worker's compensation insurance and health and disability benefits are contracted by the District Library with commercial insurance providers. For the year ended June 30, 2004, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 9 – RECONCILIATION OF BASIC FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS:

Total fund balance and the net change in fund balance of the Library's funds differs from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the balance sheet and statement of revenue, expenditures, and changes in Fund Balance. The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance – Modified accrual basis	\$644,621
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources, and are not reported in the funds	<u>538,481</u>
Net Assets – Full accrual basis	<u>\$1,183,102</u>

HARBOR BEACH AREA DISTRICT LIBRARY

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2004

NOTE 9 – RECONCILIATION OF BASIC FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS:

Net change in Fund Balance – Modified accrual basis	\$11,149
Amounts reported in the statement of activities are different because:	
Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Library books and materials	18,214
Capital outlay	78,316
Depreciation	(39,246)
Change in Net Assets – Full accrual basis	<u>\$68,433</u>

REQUIRED SUPPLEMENTAL INFORMATION

HARBOR BEACH AREA DISTRICT LIBRARY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2004

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET - FAVORABLE (UNFAVORABLE)</u>
REVENUE:				
Taxes	\$ 289,815	\$ 289,815	\$ 316,048	\$ 26,233
State grants	4,300	4,300	5,462	1,162
Fines and forfeits	22,000	22,000	27,122	5,122
Rentals	4,500	4,500	6,848	2,348
Interest	9,000	9,000	10,043	1,043
Other revenue	6,450	6,450	11,760	5,310
TOTAL REVENUE	<u>336,065</u>	<u>336,065</u>	<u>377,283</u>	<u>41,218</u>
EXPENDITURES:				
Recreation & Cultural:				
Salaries & wages	130,171	130,171	125,510	4,661
Employer FICA	9,935	9,935	9,785	150
Retirement	10,390	10,390	9,167	1,223
Employee benefits	36,504	36,504	30,712	5,792
Insurance - Workers Comp.	2,000	3,000	2,897	103
Unemployment	1,000	1,000	563	437
Books	21,500	21,000	20,078	922
Magazines & periodicals	3,500	3,000	2,881	119
Video cassettes	7,000	7,500	6,268	1,232
Computer software	1,000	700	674	26
White Pine contract	3,000	2,800	2,734	66
HB historical video		10	3	7
Copier lease	1,000	1,200	1,151	49
Furniture and equipment	1,500	1,200	800	400
Supplies	4,500	5,640	5,261	379
Utilities	20,000	23,500	22,396	1,104
Water & sewer	500	800	730	70
Internet access	4,000	2,000	1,937	63
Telephone	3,500	3,500	3,460	40
Repairs & maintenance	17,000	15,500	14,474	1,026
Insurance	14,000	14,000	13,968	32
Advertising	1,800	1,000	846	154
Elections & legal fees	1,000	1,000	663	337
Contingencies	565			
Audit fees	2,000	2,400	2,400	

HARBOR BEACH AREA DISTRICT LIBRARY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2004

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET - FAVORABLE (UNFAVORABLE)</u>
(CONTINUED)				
Meals & mileage	1,700	1,500	1,305	195
Workshops	1,000	1,000	624	376
Afghan expense		15	8	7
Story hour	1,000	800	780	20
Capital outlay	<u>35,000</u>	<u>35,000</u>	<u>78,316</u>	<u>(43,316)</u>
TOTAL EXPENDITURES	336,065	336,065	360,391	(24,326)
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>16,892</u>	<u>16,892</u>
FUND BALANCE - JULY 1	600,732	600,732	600,732	
FUND BALANCE - JUNE 30	<u>\$ 600,732</u>	<u>\$ 600,732</u>	<u>\$ 617,624</u>	<u>\$ 16,892</u>

HARBOR BEACH AREA DISTRICT LIBRARY

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET - FAVORABLE (UNFAVORABLE)
REVENUE:				
Charges for services	\$ 76,000	\$ 76,000	\$ 74,668	\$ (1,332)
Rentals	500	500	220	(280)
Interest	1,200	1,200	510	(690)
Other revenue	900	900	2,421	1,521
TOTAL REVENUE	<u>78,600</u>	<u>78,600</u>	<u>77,819</u>	<u>(781)</u>
EXPENDITURES:				
Recreation & Cultural:				
Salaries & wages	28,400	27,900	26,638	1,262
Employer FICA	2,050	2,140	2,004	136
Retirement	2,150	1,890	1,815	75
Film rental	19,000	19,000	20,587	(1,587)
Concession purchases	11,000	11,100	13,725	(2,625)
Pickup & delivery	3,000	2,855	2,846	9
Supplies	850	738	808	(70)
Utilities	600	700	648	52
Repairs & maintenance	1,250	1,250	3,467	(2,217)
Custodial service	5,000	5,000	5,000	
Insurance	200	200	200	
Advertising	5,100	5,700	5,698	2
Meals & mileage		127	126	1
TOTAL EXPENDITURES	<u>78,600</u>	<u>78,600</u>	<u>83,562</u>	<u>(4,962)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(5,743)</u>	<u>(5,743)</u>
FUND BALANCE - JULY 1	32,740	32,740	32,740	
FUND BALANCE - JUNE 30	<u>\$ 32,740</u>	<u>\$ 32,740</u>	<u>\$ 26,997</u>	<u>\$ (5,743)</u>